

Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 CIAE-00 EB-11 INR-10 LAB-06 NSAE-00

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E.O. 11652: N/A

TAGS: ETRD KS

SUBJECT: KOREAN WAGE PRESSURE ON US ELECTRONICS FIRMS

1. EMBASSY HAS BEEN INFORMED BY FAIRCHILD, LARGEST US SEMICONDUCTOR OPERATION IN KOREA, THAT GOVERNMENT'S OFFICE OF LABOR AFFAIRS (OLA) HAS FORCED THEM TO ACCEPT METAL WORKERS UNION DEMAND FOR 23 PERCENT INCREASE ON BASE WAGE. NEW INCREASE WILL BRING OVERALL INCREASE TO 50 PERCENT SINCE DECEMBER. CONSEQUENTLY, FAIRCHILD WILL BE PAYING HIGHEST WAGES IN KOREAN ELECTRONIC INDUSTRY AT LEVEL WHICH IS 60 TO 70 PERCENT HIGHER THAN THAT OF GOLD STAR, LARGEST KOREAN ELECTRONICS MANUFACTURER.

2. FAIRCHILD SAYS THEY CONTINUALLY ASKED WHY THEY WERE BEING PUSHED TO PAY SO MUCH MORE THAN GOLD STAR AND WERE TOLD BY OLA THAT "GOLD STAR DOES NOT HAVE LABOR PROBLEMS, BUT YOU DO".

3. MANAGER OF FAIRCHILD/KOREA SAYS THAT EPB INVESTMENT AUTHORITY WAS CONSCIOUS OF ADVERSE EFFECT ON INVESTMENT COMMUNITY AS RESULT OF HEAVY WAGE INCREASES IN ELECTRONICS INDUSTRY. EPB EVEN, ACCORDING TO FAIRCHILD, DIRECTLY INTERVENED WITH OLA TO SEEK MORE MODERATE WAGE INCREASE. OLA ALLEGEDLY TOLD EPB THAT THEY WERE OPERATING UNDER LIMITED OFFICIAL USE

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PRESIDENTIAL DIRECTIVE TO AVOID ANY LARGE AMOUNT OF

LABOR UNHAPPINESS AT THIS TIME. OLA CONSEQUENTLY
RESENTED AND REJECTED EPB INTERVENTION.

4. NUMBER OF FOREIGN ELECTRONICS FIRMS, INCLUDING
SEVERAL AMERICAN FIRMS, FACE UPCOMING NEGOTIATIONS WITH
SIMILAR PRESSURES.

5. EMBASSY COMMENT: FAIRCHILD SETTLEMENT IS OF INTEREST
AS ANOTHER EXAMPLE OF INABILITY OF INVESTMENT AUTHORITIES
TO PROTECT INVESTMENT CLIMATE FROM ACTIONS OF OTHER KOREAN
GOVERNMENT ORGANIZATIONS.
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Message Attributes

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